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The Free and Unlimited Coinage

OF BOTH

GOLD AND SILVER

Is Necessary to Secure Industrial Prosperity
in the United States.

MORRIS M. ESTEE.

The modern way of increasing the interest on money is to increase the purchasing power of the principal sum, without changing the specified rate of interest. For many years England has done this. The creditor classes of America are now imitating her example. This is dishonest. It benefits the creditors, but ruins the debtors.

Nothing can be truer than that the financial resources of this country are attacked when we attempt to destroy one part of our metallic money, for by this means the value of products are lowered, the amount of our debts is increased (because the purchasing power of money is greater as the amount of money becomes less), and hard times ensue.

Constitutional law as well as the customs of our country, marks out a financial policy which makes necessary the full and free coinage of gold and silver money. In this connection it may be stated as a general proposition, there are but two international money metals, gold and silver. Gold being the rarest and most difficult to obtain, is the most valuable. Silver has always been used as money, and is the most con-

venient for small transactions. It is the money of the people, and is used alike by the beggar and the prince. In our own country, thousands of transactions are made in silver where one is made in gold. East of the Missouri river there is practically no gold in use. Silver coin and paper are the only moneys in circulation.

The coin value of silver in the United States compared with the coin value of gold is as sixteen to one; that is, the coin value of sixteen ounces of silver, 900 fine, is equal to one ounce of gold.

The Constitution of the United States provides, that:

“The Congress shall have power * * * to coin money and regulate the value thereof;” and further—“that no State * * * shall make anything but gold and silver a tender in payment of debts.” (Sections 8 and 10, Article 1, Constitution.)

It is constitutional law, that no State can make anything but gold and silver coin a tender in payment of debts. Under this plain constitutional provision, a State can make both gold and silver a legal tender. But it cannot make one a legal tender and prohibit the use of the other. Both metals were selected by the builders of our government as the necessary money metals of our country.

POWER OF CONGRESS.

Congress has no powers except such as are conferred upon it. The States retain all the powers not expressly taken from them. The general government coins money, and it coins the money that the Constitution prescribes, but the States are authorized to make gold and silver the only legal tender in payment of debts. In a word, the States can indicate the purposes for which the money so coined by Congress can be used; but Congress cannot, by refusing to coin gold and silver, prevent the States from establishing a legal tender which the Constitution directs.

When Congress is given power to coin money, it means only those kinds of money which the same instrument says shall be a legal tender in payment of debts. This clause of the Constitution clearly points out to the States the duty which they have to perform. The Supreme Court has decided that Congress has the power to make paper money a legal tender. The States cannot do this. Congress has no power to demonetize any money which the States may declare a legal tender; *nor is there anything in the Constitution which directly or indirectly gives to Congress the authority to demonetize any constitutional coin.* It may coin money; it may coin gold and silver, but nowhere is Congress given the authority to destroy gold or silver as money.

As a question of national policy, there are many reasons why this should not be done. The United States produces more gold and silver than any other country, and the largest possible use of both metals encourages production and adds to the stable money power of the people.

In 1893, the world produced in gold and silver about \$363,892,800. The United States produced \$113,531,000, or about one third. During the first ten months of the year 1894, there was exported from the United States, in excess of our imports of gold, more than seventy-three millions of dollars. This was necessary to sustain our balances of trade and pay our indebtedness to foreign countries. Hitherto, the policy of our government has been to increase the exports of products, and decrease the exports of gold so that our trade balances would be sustained without the use of money, but the change in our revenue laws, and the admission into our country of free and cheap raw material and of more foreign manufactured articles; has disturbed the courses of trade and thus caused a marked change in the amount of our exports and imports. We are now compelled to send out of the country more money to meet the demands which these new conditions impose upon us, and should we continue to export the same proportionate amount of gold for the next five years as during the last ten

months, there will be very little, if any, gold left in the country, because a large part of the gold in the United States is not obtainable either for exportation or business purposes. The recent large shipment of American Gold to Europe has surprised the gold people. It had been claimed that, when silver money and silver certificates were out of the way, gold would be abundant. But gold has not been abundant, nor has it remained at home, nor have our foreign and domestic markets improved. It matters not whether gold goes abroad to pay our trade balances, or is sent abroad for sale as a speculation, the result is the same—our favorite money is going away from us, and it leaves only paper money to do business with here. In a word, we have assisted England and Germany in making gold so valuable to them that it has become useless to us, for we cannot keep it at home. Silver has not driven it away. Free coinage is not the reason for its going, as we have not had free coinage. It is the result of new financial theories, the threatened and actual change in our tariff laws, and our conspiring to build up gold at the expense of silver, by driving it out of common use in the business and commercial centers of our country.

OUR CREDIT ABROAD.

American credit must be sustained by Americans. Our prosperity and our ability to pay is the crucial test of our credit. One thing is certain : when we are not prospering at home we have no credit abroad. Being a debtor nation, we have no foreign balances in our favor, and when our exports do not largely exceed our imports, gold leaves, whether we have the free coinage of silver or not. The question resolves itself into this : Shall we have two money metals or none? We may try to retain gold, but we cannot do so if we demonetize silver. In times of prosperity we receive from abroad more money than we pay out; in times of business depression we pay abroad more money than we receive from there. This is so because our foreign creditors become

alarmed and lose confidence in us, as we lose confidence in our ability to pay. When the value of our export products does not equal what we must pay abroad, and, as we increase the amount and value of our imported luxuries, we have to meet the difference in money; and when we join our foreign creditors in declaring that silver is not good money for home use, it will not be good money elsewhere. Thus gold will go out of the country in the same ratio as the excess of imports comes into it.

American mines in 1893 produced about forty-five millions of dollars of gold. The arts, and losses in transportation and other causes, took about fifteen millions, leaving last year's increased gold supply of the country for coin purposes, if all was retained here, about thirty millions of dollars. When we bear in mind that our increase of population and of business demands a constant increase of money, it will be noted that this increase of our gold supply will not exceed the home demand, and should the present tariff laws be continued and no change made in our coinage acts, gold will leave the country in the future, to meet our foreign obligations as it has done in the past, and the more gold we mine, the more will go abroad.

When we export money we take from our own people the most potential instrument of trade and commerce, but when we export our surplus products, we merely find a market for what we do not wish to use in our own country, and thereby increase our profits. And again: the interest on American securities held in Europe payable in coin is enormous, and must be met; and yet, in view of all these facts, we join hands with England in making gold more and more valuable and silver less and less valuable.

It is only within the past few years, and with a very few nations, that silver has been demonetized, and yet in those countries where gold is recognized as the only money metal, paper is the money of commerce because business cannot be done with gold alone. Bank bills, checks and drafts are the customary means of transferring values.

Mr. James Platt, the great English writer on finance, says:

“Money is nothing else than a form of credit, a thing, whatever its substance, which men by common consent have agreed to recognize as a symbol of wealth.”

(Page 88 of his book on “Money.”)

As money is a “symbol of wealth” it would seem that, the more money, the greater our wealth, unless the increase of quantity decreases the quality or value, until it ceases to symbolize wealth. In this connection, some things are self-evident.

SILVER ONE OF OUR CONSPICUOUS PRODUCTS.

It is a fact that as there is not enough gold to perform all the functions of money or to transact the business of the country, we must have some money other than gold, that silver has intrinsic value and in that respect it is better than paper money. Therefore we must have some silver as a part of our “symbol of wealth,” for use as change.

When we increase the forms of credit in our country, we enlarge our business possibilities, and we accomplish this by increasing the amount and uses of silver money. Silver is one of the conspicuous products of the United States, the output of our mines for 1893 being seventy-seven millions of dollars. Like gold, it is used in the arts and as money. Millions and millions of dollars of this metal is in daily use in gold countries as subsidiary coin. England is compelled to use over \$100,000,000 of silver subsidiary coin to make change. Is it business wisdom for America to join England in making one of our products, whatever the character of that product, less valuable? And what adds to the folly of this act is, that we assume to do it in defense of American credit, and we commence by destroying the value of millions of dollars of American silver. Every thoughtful man knows that we could not sustain our domestic or foreign credit an hour if such credit was based upon the amount of gold in

circulation. If the people holding United States currency should demand gold from the Treasury of the United States, they could not obtain it, nor could any bank in the country which issues paper money redeem that paper in gold in any monetary crisis.

It is clear that gold is not omnipotent as money, and it is equally clear that there is not gold enough in the world to stand behind and sustain the world's credit or to transact the world's business. Nor is there gold enough in the United States to stand behind and sustain American credit. Gold and silver combined can come nearer accomplishing this purpose. If silver is used at all as money it should be given full credit to the extent of the amount required for circulation, and the largest possible amount should be put in circulation, because this would enlarge our credit. The name of gold is used for big transactions, but the fact is gold itself is not used. When great financial stress comes gold is of little value to the business world, because the business world cannot get it. It is then hidden away by those who wish to save something from the general wreck.

Hoarded money is non-earning money. The secret of business success is to have every dollar earning something and to have every man employed and at fair wages. Work is a source of wealth. We cannot have labor without laborers, but we can increase wealth without increasing the number of millionaires. This should be the chief purpose of our financial legislation.

VALUE OF MONEY.

The value of money depends largely upon what is done with it at home and not upon what it will bring abroad. Money which circulates most, whether gold or silver, is the best for the people using it. Money that every one wishes to keep is of little benefit in business, for, like jewels, it may be too valuable for use. All money must have something *in it or behind it*. The security standing behind money

is in most cases the wealth of the nation issuing it. Take England. Its public debt is \$3,277,888,000 payable in gold, and yet the whole amount of gold which England has is but \$510,000,000. It is thus observed that it is not English gold which maintains English credit; it is her vast resources, her honor and her custom of paying what she owes.

Though gold is less bulky, it is no more convenient a form of money than silver, and it never has been in common use among the masses of the American people. Silver is so used because it is the money of small transactions. Infinitely more people use silver than gold, and therefore when we demonetize that metal more people will be injured than if we should demonetize gold. Small transactions multiply as our population increases, and it is these transactions which sustain the home markets, the business enterprises and the credit of the nation. It is the modest accumulations of the many and not the vast fortunes of the few which most benefit the country. Wall street could not exist an hour but for the great Republic with its teeming wealth and its sixty-five millions of people which stand behind it. It is the fact that it is the clearing house for the business enterprises of the nation which makes it powerful. In itself and of itself Wall street creates nothing, has no power and no credit except such as the rest of the country gives to it.

FRANCE A SILVER COUNTRY.

Take France as an example. The population of that great Republic is about thirty-eight millions. Over four millions of the people are owners and investors in French rents (their national securities), which securities earn about three per cent. per annum. France is a silver country. It has \$700,000,000 of silver in circulation and also has \$1,000,000,000 of gold. Nearly four millions of the people of France are depositors in its savings banks and more than one-half of the money so deposited is silver. Eight millions of the French people own real estate. No country in the

world shows such an uniform and universal distribution of property among the people; and yet most of the money in circulation among the producers of France is silver and will not pass as money in England (150 miles away), in Germany, adjoining France on the north, or in the United States, the greatest republic in the world.

The fact that Germany, England and the United States do not want French money benefits France. These three nations require what France produces both from the soil and from the factory. They purchase French wines, French prunes, French silks and French woolen goods, but French money stays at home among her people. Germany intended to destroy France financially by demonetizing silver at a time when France owed her a large amount, yet the result has been that France is growing rich. She has a kind of money which benefits her own people, and so long as the French people are prosperous French credit is good everywhere. Compare France with England and note the difference. In the latter the few are rich and the many are poor, yet England is the greatest creditor nation. Foreign people owe English capitalists more than eight billions of dollars, but the mass of Englishmen are no better off because of the existence of this vast wealth. Sixty-nine per cent. of her farm lands is cultivated by renters, while in France nearly every elector in the rural districts cultivates his own land. The population of England is about twenty-nine millions, only 240,000 of whom are owners of English government securities. The national debt is the enormous sum of \$3,-277,588,000, which, together with the debt of her colonies, reaches the vast amount of \$5,400,000,000, payable in gold. There is not gold enough obtainable to pay a fourth of this sum, and yet England assumes to pay in gold.

It is true English laborers receive higher wages than do French laborers, but the English produce little from the soil. They buy nearly everything they consume. The French, on the contrary, produce nearly everything they consume and buy little. They maintain and build up home

markets by buying home productions, and thus keep their money at home. The fact cannot be too strongly emphasized that what will most benefit our country is a monetary system that promotes home enterprises, and that system accomplishes this best which represents home and not foreign money values. If it were possible to have an international coin, with a fixed international value, it would doubtless be better for the people of the world. This at present is impossible, but when we have both gold and silver we have a metallic money which will fit every transaction and which will find its way into every man's pocket. The tendency then is to distribute wealth more uniformly among the people and thereby benefit the nation. Hence the first duty of this country would seem to be to build up its own industries by the wise use of its own money, then its credit abroad will care for itself.

AMERICAN MONEY FOR AMERICAN CIRCULATION.

A country like the United States, which is so busy maintaining its foreign credit that it forgets to pay any attention to its home industries, cannot long maintain either its foreign or domestic credit. More of the American people have been out of employment the past two years than at any other period in thirty years. New systems of revenue and of finance have been introduced until we have but little revenue and even less knowledge of finance. We have been trying to legislate confidence into the country by driving money out of it. True some of the financiers of New York and of England declare that free coinage of silver will disrupt our financial system. When a financial system benefits only those who have money to loan it is the wrong system and should be disrupted. The present system is un-American and it should be done away with. It is also claimed that if we coin silver gold will leave the country. Is this true? Why, gold is leaving the country now faster than the Government can borrow it, and, as stated, it will continue to leave unless we have something else to send abroad to

pay our debts. We should coin American money for American circulation, because all money is a commodity when it leaves the country which issues it. What is of most interest to us is the amount which the surplus products of our farms and our factories will sell for, not what our money will bring. We have but little money compared with the limitless extent of our productions. There has not been three months in the last two years during which the producing classes of America have not lost more money by the depreciation in the value of labor and the productions of labor than the full amount of all the gold in the country.

Our corporate, municipal, state and national bonded indebtedness is more than twenty times the amount of our gold, most of which is payable in coin, and of all kinds of property we have about \$66,000,000,000. It would be ridiculous to say that \$584,000,000 of gold could sustain the value of all this vast property.

American gold people cannot disassociate the value of American gold and silver bullion in a foreign market from the value and uses of American gold and silver coin at home. They talk of gold money as though it was the only evidence of wealth. It is our farms, the products of our farms, our cities and towns, our railroads and factories, our mines of gold and silver, of coal and iron, the great extent of our territory and the thrift and push and energy of our people, which constitute our wealth and which are the source of our credit.

GOLD DOES NOT SUSTAIN OUR CREDIT.

If the War of 1861 were repeated there is not a bank in the country which issues paper money redeemable in gold that could, on demand, pay out gold in twenty-four hours after the war began. When our credit is attacked gold does not sustain it. It is simply the old story that when everybody wants gold there is none; when nobody wants it there is plenty. There never can be too much metallic money. An abundance of gold and silver never caused an undue in-

flation in prices. Gold is needed, silver is needed, and property of every kind, and in vast amounts, is needed to sustain our business credit and maintain our enterprises. You cannot attack the value of one kind of property without materially affecting the value of all property.

Credit is born of confidence and confidence comes from seeing the product of the farm selling for good prices, from hearing the wheels of machinery in action, from knowing that commerce moves in its wonted channels, from feeling the financial pulsation which an increased output of our mines gives to the country.

It is a fact that the value and amount of silver money in circulation largely fixes the value of commodities and thus builds up business confidence. Look at the rise and fall of wheat and the rise and fall of silver bullion. They parallel each other. This is so for many reasons, which reasons reach beyond the scope of this subject. The fact is the producers of raw material need more money to sustain their business than any other class of people, and in a country like ours the parity of the coin value of gold and silver must be maintained or the prices of products will not be sustained. No workingman ever refused a silver dollar in payment for his labor. Why should the Wall-street banker refuse to let that same dollar pass through the clearing-house when he knows that four-fifths of the American people gladly accept it as money?

It is a fact that American markets, American labor and American money must be sustained at home. We cannot have business prosperity when the products of the farm and the factory sell at a loss. We can no more rely for our success upon European theories of finance than upon European values of labor. This nation is a nation unto itself. Our form of government, the variety and amount of our productions, our vast territory, our isolation from the older and more populous civilizations of the world, and the marvel and mystery of our growth, show clearly that our civilization is a creation of our own, and not an imitation of others.

In the United States, the west and south are the producing portions. The majority of the people of these sections are in favor of the free coinage of silver because it will make more money, safe money and cheap money. The silver producers are interested in the free coinage of that metal, because it will increase the amount of and the demand for the productions of their mines and thus encourage their development, and enlarge their output. The debtor classes, those who owe money to the capitalists of the east, are interested in the free coinage of silver because they reason that gold and silver are the money metals of the Constitution; that when they borrowed the money they now owe, gold and silver were in general circulation in the United States, and that after the creation of these debts, any effort made by the creditor classes to demonetize silver, thereby decreasing the amount of money in circulation, is dishonest because it makes money dear and the debt greater.

RESULT OF FINANCIAL LEGISLATION.

The Sherman bill was a poor make-shift for free coinage, but it was better than nothing. It provided for the purchase in open market of four million dollars worth of silver monthly, and the issuance of a like amount of silver certificates as the representative of that metal. This act is now repealed, and the plain, undeniable result of all this financial legislation is, that the value of gold has increased and the value of commodities has uniformly decreased. Hence it takes more of the products of labor or of capital to pay any given amount of debt now than it did when silver was freely coined. Tinkering with financial questions is dangerous. The very uncertainty which it causes imperils business and injures credit. The remedies proposed are often worse than the disease, for stability is the chief object to be attained in monetary affairs. The fact that gold and silver are practically indestructible, gives to both these metals a monetary value in the business and financial world which the creditor classes cannot destroy, nor the debtor classes unduly inflate.

It is the stability of these metals which, when not interfered with by local law, should maintain their parity of value.

There is a financial war in progress. It is a struggle between the creditor and the debtor classes, between those who have money to sell and those who have products to sell, between the producers and the consumers. The question is, shall we make money scarce and valuable and products cheap, or products valuable and money cheap? The gold people declare that the increase of the purchasing power of gold and the consequent lowering of the values of property do not injure the producer, because the same amount of money will buy a like amount of things now as before the exaltation of gold.

The argument is specious. There are \$584,000,000 of gold in the United States and fully \$66,000,000,000 of property. The most of the American people own some property; but there are not to exceed one hundred thousand of the American people who have any considerable amount of gold.

FREE COINAGE OF SILVER.

Two objections are urged against the free coinage of silver: one that it will drive gold out of the country; the other that it will create an undue inflation of prices. It has been shown that the United States is a debtor nation; and, as we have to pay to foreign peoples a large amount of money annually, the only way to keep that money at home is to maintain prosperity at home. It is axiomatic that a country is not prosperous, although its securities may sell at a premium, if its products sell at a loss. There is something radically wrong when national credit is good and private credit bad. The American people are not prosperous, and the best proof of the unfavorable condition of the business of the country is that the government is running in debt to meet its usual and ordinary expenses. Indeed it is borrowing money to send out of the country and coining no money which will stay at home.

It has been asserted that the free coinage of silver will make it necessary to protect our country against the undue importation of foreign silver bullion brought for coinage at the mints of the United States. This will not be the case because most of the foreign silver money now in existence passes as such at par in the countries coining it, and for eign silver bullion will not seek American coinage unless it at the same time seeks American investment, because while American coined silver, like American coined gold, is money here, it is only a commodity abroad, and will there sell as bullion.

On the 31st of December, 1893, there were 175,441 miles of completed railroad in the United States. These roads were built at the nominal cost of \$11,855,968,166 and their outstanding liabilities are \$11,443,888,892. Of this vast amount \$5,470,292,713 is bonded indebtedness, most of it due in twenty years. A large portion of this bonded indebtedness is held in Europe, the principal and interest payable in coin. It is thus inevitable that for this purpose alone, and for many years to come, there will be a large European demand for American gold. In view of these facts, a necessity for an increased coinage of silver seems apparent. The fact is, gold cannot be obtained to meet our ever accumulating foreign indebtedness unless our exports of products are largely increased. A day of reckoning will come. Let a great war break out and note the result. Instead of one-sixth of all the railroads of the country being in the hands of receivers, as is the case now, five-sixths of them will be in that condition. This would destroy public and private credit. It would do more harm than to pay our debts in silver for a century. The business world cannot pay its debts in gold; and that country which adopts both metals as the basis of its monetary system will, in the long run, have more money, better money, and will do more business at home and a safer business abroad than under a single standard. If foreign wars or

foreign trade take the gold out of the country, silver will remain; if silver goes, gold will remain.

REMEDY FOR PRESENT CONDITIONS.

If asked to suggest a remedy for present conditions, three present themselves. Neither one may fully meet expectations. They are:

1. The full and unlimited coinage of silver.
2. The free coinage of silver produced in the United States.
3. The equal coinage of both gold and silver.

No one man ever invented a perfect financial system; it cannot be created alone by legislative enactment; it is a growth; it comes with the varied teachings of success and failure.

The position of the United States on the Western Continent and in the financial world, demands that it should have a distinctive financial policy. We cannot imitate the English principles of revenue and finance unless we do so at the expense of our own people. The United States produce gold and silver in large quantities. We produce more raw material than any other people, and if we protect our home markets and consume at home to the extent of our needs what we produce at home, our exports will exceed our imports and gold will not leave the country.

The principle of protection and the free coinage of silver are both necessary to the fullest and highest industrial development of America. You cannot in reason defend the one, without maintaining the other. In this respect, the position taken by Mr. Cleveland is logical. He is a gold monometallist and in favor of free trade. Both positions are un-American and will not survive another presidential election; but they go hand in hand and form the twin mistakes of this Congress and of the National Democratic party.

CONCLUSION.

In conclusion, there is a selfish side to the money question. The people who have gold want to make it more valuable; the people who have silver want to make it more valuable. The gold people want to demonetize silver because it is cheap, and to do this they would drive out of the world's money circulation \$4,000,000,000 of silver. But the great masses of the enterprising people, the producers of wealth, those who have their fortunes yet to make, want both money metals, because this will create more metallic and cheaper money, and thus encourage and promote private enterprises.

Hitherto the American producers have been numbered among the voiceless millions, but they will be heard at the next presidential election. It is a happy omen for the future of American politics that new issues are being submitted to the people. As a result past dissensions will be forgotten, different sectional lines will be drawn as new principles are evolved, parties will divide on the money question, and that party which either evades the free coinage of silver or is opposed to the same, will fail.

In the United States, as elsewhere, money is power, and every year the rich are becoming more powerful. Those who have little are naturally jealous of those who have much. The responsibility resting upon the rich is becoming greater. Money cannot safely corner the industrial pursuits of a great nation. A free people may be deceived and misled for a time, but in the end they will do the right thing. While the influence of Wall Street is great, as a factor in American politics its *very name* is a source of weakness, and in the near future, American finance will figure in American politics.

To recapitulate: the United States is a young nation, as we measure the ages of nations, yet as a financial and political power there is no nation that equals it. Its vast

territory, its limitless undeveloped resources, its productions of raw material, the liberal wages paid to labor, and the universal dissemination of intelligence through its free public schools and the public press, all combine to give to the American people, when moved in one direction, an irresistible force. The conditions which surround the American industrial classes necessarily demand of them monetary and revenue principles different from those of any other people. European theories of finance can no more succeed on American soil than can European theories of government. A vast majority of the monetary transactions of our country is done at home with our own people, and so money is valuable in America for what it will do here and not for what it is worth in some foreign country.

That political party which seeks to obtain power in the United States or which expects to be perpetuated in power, must have the support of the industrial people of this country. Without such support it can never succeed. For after all, it is the mite of the poor, the small fortunes which labor has garnered up, the daily toil of the millions in the field and in the factory that accumulates and forms the great sum of American wealth. It is the patriotic millions who work that compose the American industrial army in peace, and the army for national defense in war. The claims of these people for justice must be heard and must be heeded.





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